

PUBLIC DISCLOSURE

September 22, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: Iron and Glass Bank
044266960000
1114 East Carson Street
Pittsburgh, Pennsylvania

Supervisory Agency: Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Iron & Glass Bank, Pittsburgh, Pennsylvania, prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of September 22, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The assessment of the record of Iron & Glass Bank ("IGB") takes into account the bank's financial capacity and size, legal impediments, and local economic conditions and demographics, including the competitive environment in which it operates.

Several factors support IGB's satisfactory rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, a majority of the number of the bank's loans are made within its assessment area. Third, based on an analysis of the bank's loans, the bank has an excellent record in lending to borrowers of different income levels and to small businesses. Finally, the geographic distribution of the bank's loans is reasonable.

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, IGB effectively meets the credit needs of the assessment area. The bank operates six full-service offices—Southside, West Mifflin, Castle Shannon, Southpark, Brentwood, and Chartiers Valley. IGB serves southern Allegheny County, Pennsylvania. IGB's six (6) ATMs have 24-hour access.

According to the March 31, 1997, Uniform Bank Performance Report ("UBPR"), the most recent report available, the bank had total assets of approximately \$178 million. Since June 30, 1996, the bank's loans have increased approximately \$5.7 million, while the bank's deposits have decreased approximately \$6.9 million. Contributing to the decrease

in deposits was the loss of a \$17.0 million depositor who withdrew funds during the June-September 1996 time period. In addition, since June 1996, the bank's total assets decreased approximately \$0.3 million. The bank's average net loan-to-deposit ratio for the past five quarters approximates 65%. Its net loan-to-deposit ratio has increased slightly since the previous CRA evaluation. The bank's portfolio is comprised of approximately 26% real estate, 6% consumer, and 61% commercial loans.

The bank offers a variety of loan products to fulfill the credit need of residents and businesses within its assessment area. It extends consumer open- and closed-end, fixed- and adjustable-rate residential real estate, construction, mobile home, and commercial loans. In addition to offering these conventional loan products, the bank participates in Small Business Administration government loan programs.

There are no legal or financial impediments that would prevent the bank from helping to meet the credit needs of its community.

DESCRIPTION OF IRON AND GLASS BANK ASSESSMENT AREA

IGB defines its assessment area as the portion of the City of Pittsburgh and the surrounding communities served by the bank's offices and can be described as southern Allegheny County, Pennsylvania. All of the bank's offices are located in the Pittsburgh Metropolitan Statistical Area #6280. There are no block numbering areas in the bank's assessment area. More specifically, the bank has determined its assessment area to include the following census tracts:

1603	1918	3207.97	4734.02	4803.95	4929
1604	1919	3207.98	4735	4803.96	4930
1606	1920.97	4571	4736.01	4803.97	
1607	1920.98	4572	4736.02	4803.98	
1608	1921	4687	4741.01	4804.96	
1609	1922	4688	4753.04	4804.97	
1702	2019	4689	4754.01	4804.98	
1704	2901	4703	4761	4810	
1706	2902.97	4704	4762	4870	
1803	2902.98	4705	4771	4885	
1805	2904.98	4706	4772.97	4886	
1806	3001	4710	4772.98	4890.01	
1807	3101.97	4721.97	4773	4890.02	
1808	3101.98	4721.98	4781.96	4900.01	
1809	3102.94	4722	4781.97	4900.02	
1903	3102.95	4723	4781.98	4911.01	
1911	3102.96	4724	4782	4911.02	
1914	3102.97	4731	4790	4912	
1915	3102.98	4732	4801.01	4920	
1916	3204	4733	4801.02	4923	

1917 3206 4734.01 4802 4928

CRA divides income levels for individuals into four categories: low-, moderate-, middle-, and upper-income. IGB's assessment area consists of 16 low-income, 17 moderate-income, 48 middle-income, and 24 upper-income census tracts.¹ As of the 1990 census data, the median household income and the median family income for IGB's assessment area are \$29,287 and \$35,937 respectively. These figures are slightly higher than the median household and median family incomes for the Pittsburgh #6280 MSA which are \$26,657 and \$32,787, respectively. The bank's median household and median family incomes are also slightly higher than the Commonwealth of Pennsylvania's median household and median family incomes which are \$29,069 and \$34,056, respectively.

According to 1990 census data, the population for the assessment area is 296,617. The following table shows the assessment area's population distribution by census tract income level.

**POPULATION DISTRIBUTION
BY CENSUS TRACT**

	Population	Percentage
Low-income	3,448	1.2%
Moderate-income	35,678	12.0%
Middle-income	152,953	51.6%
Upper-income	104,538	35.2%

Examiners conducted four local community contacts as part of the bank's CRA evaluation. Information from these contacts was used to evaluate IGB's CRA performance.

According to community contacts and bank management, the economy in the bank's assessment area is stable and improving. Local unemployment is approximately 5.2% compared with the state rate of approximately 5.4% as of July 1997 and reported in the

¹**NOTE:** Low-, moderate-, middle-, and upper-income are defined as follows:
Low-income: Up to 50% of the median MSA family income.
Moderate-income: Greater than 50% up to 80% of the median MSA income.
Middle-income: Greater than 80% up to 120% of the median MSA family income.
Upper-income: Greater than 120% of the median family income.

September 1997 Pennsylvania Labor Force bulletin. Major economic forces in the area are retail and services industries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures. The analysis included the following criteria:

- C the loan to deposit ratio averaged over the past five quarters;
- C lending activity inside and outside the bank's assessment area;
- C the reasonableness of the geographic distribution of loans within the bank's assessment area;
- C the record of lending to borrowers with varying income levels;
- C the distribution of loans to businesses and farms of different sizes; and
- C the bank's response to any written complaints concerning its performance in helping to meet the credit needs within its assessment area.

Loan-to-Deposit Ratio Analysis

For a bank of its size, location, and financial condition, IGB's loan-to-deposit ratio is reasonable and, as such, meets the standards for satisfactory performance at 65%. The ratio was calculated by averaging IGB's most recent five quarterly net loan-to-deposit ratios. The loan-to-deposit ratio was evaluated in terms of the bank's capacity to lend, the loan-to-deposit ratios of similarly situated (peer) and competitor banks, and available lending opportunities in the assessment area.

IGB's loan-to-deposit (65%) ratio is slightly lower than that of its national peer group (71%). The loan-to-deposit ratio calculations are detailed in the table below:

Date	Net Loans (In thousands)	Deposits (In thousands)	Loan-to-Deposit Ratio
June 30, 1996	\$100,159	\$163,341	61%
September 30, 1996	\$100,585	\$151,330	66%
December 31, 1996	\$102,656	\$159,262	65%
March 31, 1997	\$104,156	\$155,707	67%
June 30, 1997	\$105,933	\$156,483	68%

Five-Quarter Average

65%

As of the most recent UBPR, the bank's loan-to-deposit ratio was 66%, which places IGB in the 36th percentile in relation to its peer group. IGB faces stiff competition from other financial institutions in its assessment area. Based on loan demand and the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

Comparison of Credit Extended Inside and Outside the Assessment Area

A review of a statistical sample of the loans originated by the bank since the previous CRA evaluation reveals that a majority of its loans were made inside its assessment area. The following table shows the percentages for number and dollar volume of those major loan product lines sampled that were made inside the assessment area:

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA

Major Loan Product Lines	Total Number of Loans	Total Amount of Loans
Consumer	67%	62%
Small Business	34%	52%
Residential	78%	71%

This level of concentration in the assessment area meets the standards for satisfactory performance. These loan categories represent approximately 93% of the bank's loan portfolio, and the vast majority of these loans, both by number and by dollar amount, were originated inside the assessment area. Business leasing originations comprise 67% of small business loans (numbers) and, as such, are located all over the country which significantly contributes to the low percentage (34%) of small business loans (numbers) located in IGB's assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

IGB's record of lending to borrowers of different income levels is very good and, as such, exceeds the standards for satisfactory performance. Our sampling indicates that the bank provides consumer, home purchase, small business, and residential loans to individuals of all different income levels as shown in the table below.

**DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA
BY BORROWER INCOME LEVEL**

	Income Level			
	Low	Moderate	Middle	Upper
Consumer				
Total Number of Loans	30%	47%	0%	22%
Total Amount of Loans	30%	40%	0%	30%
Residential				
Total Number of Loans	2%	88%	0%	10%
Total Amount of Loans	0%	86%	0%	14%

The data in the table indicate that the bank originated 77% of its consumer and 90% of its residential loans to low- and moderate- income individuals. These levels of lending reflect an excellent record of lending to borrowers of different income levels.

Analysis of the distribution of small business and farm loans throughout the bank's assessment area by income level of borrower reveals that the bank is originating small loans to small entities regardless of income level. Approximately 100% of the small business loan operations in the assessment area that were reviewed had revenues less than \$1,000,000 and that 82% of the loans were for less than \$100,000. The bank's emphasis on small business lending, which represents 62% of IGB's loan portfolio, together with consumer and residential loans to low- and moderate-income borrowers demonstrates a strong commitment to meeting the credit needs of all segments of the community and exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

The distribution of the bank's loans between geographies of different income levels is reasonable. As previously discussed, the bank's assessment area includes 16 low-income, 17 moderate-income, 48 middle-income, and 24 upper-income tracts. Approximately 13% of the population resides in the low- and moderate-income tracts, 52% resides in the middle-income tracts, and the remaining 35% resides in the upper-income

tracts. As the following table illustrates, IGB's lending patterns approximate this distribution.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA GEOGRAPHIES

	Income Level		
	Moderate	Middle	Upper
Consumer			
Percentage of Total Loans	16%	57%	27%
Percentage of Total Loan Amounts	12%	55%	33%
Small Business			
Percentage of Total Loans	40%	34%	26%
Percentage of Total Loan Amounts	74%	9%	17%
Residential			
Percentage of Total Loans	14%	57%	29%
Percentage of Total Loan Amounts	9%	57%	35%

As shown above, the percentages of consumer, residential, and small business loans in the low- and moderate-income tracts approximate the percentages of assessment area residents living in these tracts. Because the majority of IGB's assessment area residents live in middle-income tracts, it is reasonable to find the highest percentage of loans originated in these tracts. In addition, the 16 low-income census tracts consist mainly of boarded-up housing, empty factory building sites, and multi-family housing projects. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation.